



CONGRESSIONAL BUDGET OFFICE COST ESTIMATE

November 22, 2005

H.R. 4133 **National Flood Insurance Program** **Further Enhanced Borrowing Authority Act of 2005**

*As cleared by the Congress on November 18, 2005,
and signed by the President on November 21, 2005*

SUMMARY

H.R. 4133, enacted as Public Law 109-106, increases the amount that the Federal Emergency Management Agency (FEMA) can borrow from the U.S. Treasury to cover expenses of the National Flood Insurance Program (NFIP). CBO estimates that enacting H.R. 4133 will increase direct spending by \$14 billion in 2006 and \$1 billion in 2007. (H.R. 4133 specifies that amounts provided by the legislation are an emergency requirement pursuant to section 402 of H. Con. Res. 95, the Concurrent Resolution on the Budget for Fiscal Year 2006.) The legislation will not affect federal revenues.

ESTIMATED COST TO THE FEDERAL GOVERNMENT

The estimated budgetary impact of H.R. 4133 is shown in the following table. The costs of this legislation fall within budget function 450 (community and regional development).

| | By Fiscal Year, in Millions of Dollars | | | | | | | | | |
|-----------------------------------|--|-------|------|------|------|------|------|------|------|------|
| | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 |
| CHANGES IN DIRECT SPENDING | | | | | | | | | | |
| Estimated Budget Authority | 14,000 | 1,000 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Estimated Outlays | 14,000 | 1,000 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |

BASIS OF ESTIMATE

Through the NFIP, FEMA offers flood insurance in communities that conform to the program's standards. Under previous law, if premiums and interest income were insufficient to cover the program's costs, FEMA could borrow up to \$3.5 billion from the U.S. Treasury. H.R. 4133 increases the limit on FEMA's borrowing authority by \$15 billion. Based on information from FEMA about the likely need to pay claims in response to Hurricane Katrina and the historical rate of claims processing for major floods, CBO estimates that the agency will exercise that authority in 2006, resulting in an increase in direct spending of \$14 billion in that year and \$1 billion in 2007.

Current law requires FEMA to repay any borrowed funds (with interest) as it collects premiums, provided that the program's costs are fully covered. However, CBO expects that the agency is unlikely to repay funds borrowed under H.R. 4133 within the next 10 years because premium collections over that period will probably be used to pay any remaining claims resulting from Katrina and future flood insurance claims and expenses.

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